Network pitches pull at heartstrings

By DIANE MERMIGAS

The three major tv networks will rely on emotion-evoking elements this summer and fall to lure viewers for their prime time fall season.

ABC, NBC and CBS have all developed new strategies for their on-air promotions. The generic campaigns debut later this month; spots for individual new and returning series begin in August. The 1983-84 prime time season is expected to begin the final week in September.

However, the network promotion departments, each spending about $1 million, have about seven minutes less of weekly prime time program breaks in which to peddle their wares this year, because of the recent commercial-inventory expansion.

The most radical promotional shift this season is at ABC, which in recent years has taken a glossy, star-studded, parading-in-the-streets approach to touting its programs and inviting viewer sampling. The No. 2 network will be selling more homespun and heart when it kicks off its "That special feeling" campaign.

"It's a repositioning campaign. We're trying to get the audience to see us as being sensitive and mature and possessing basic, wholesome values," said Roy Polevoy, vp of on-air promotion for ABC Entertainment. "My guess would be that viewers may not see us or any network as that now. That's why we decided not to make a big splash, but to take a more dignified, low-key approach."

Mr. Polevoy said the decision to humanize and broaden the appeal of network promotions was grounded in the "gut feeling" of executives. Also, ABC's viewer demographics are shifting away from the younger viewers that have been ABC's mainstay.

Some ABC officials have suggested the new campaign reflects the more meat-and-potatoes management style of Fred Pierce, who recently succeeded Elton Rule as vice-chairman of the American Broadcasting Cos.

If the new ABC spots seem reminiscent of Kodak and Pepsi-Cola's tug-at-your-heart commercials, it's because all three campaigns are the work of director Rick Levine.

Down on the farm, a boy finds a puppy he brings home snuggled under his zipper jacket. A young nurse whose car has stalled in a rainstorm finds refuge and romance in the waiting booth of a parking-garage attendant. A pigtailed girl shares a submarine sandwich with her grandfather. All such ABC promos, which

(Continued on Page 61)

Advertising Age

Entire contents copyright 1983 by Crain Communications Inc. All rights reserved.

$1.25 a copy; $50 a year — The International Newspaper of Marketing • In Two Sections, Section 1. — June 13, 1983

Vicks covers field with vitamin rollout

By PAT SLOAN

Richardson-Vicks will introduce Lifestage vitamins, a six-formula line, in August with $11.5 million in advertising and promotional support.

According to retail sources, almost $9 million will be spent on network tv, with the remaining $2.5 million going to promotion.

There were indications earlier this year that the introduction was imminent (AA, Feb. 21).

Lifestage is not R-V's first entry into the $2.3 billion vitamin market, but it does represent its first crack at the drugstore/supermarket multivitamin business. Its Plus Products subsidiary sells Plus vitamin and mineral food supplements via healthfood stores.

Each Lifestage formula is aimed at a specific segment of the multivitamin market and, in some cases, a specific competitor. For example, children's formula Lifestage will compete with Miles Laboratories' Flintstones; teens' with multivitamins in general; adult women's with Miles' One-A-Day, and adult men's with Squibb's Theragram M and Centrum.

In addition, both the men's and women's stress formulas will take on the various stress vitamins, such as Lederle Labs' Stresstabs.

Perhaps to capitalize on the healthcare franchise built upon the Vicks name, the Lifestage name is preceded by Vicks on the packaging. The package has a photo of an appropriate-aged customer for each formula.

An obvious obstacle to selling stores on so many formulas under one name is the question of tight shelf space. And it appears Richardson-Vicks has thought of that. Said an R-V spokesman: "The packaging is vertical [taller than it is wide] so it takes up approximately the same space as 2.5 or three facings of the market leaders, which use horizontal packaging [wider than it is tall]."

In its sales materials to the trade, R-V stresses this point with the explanation, "All six Lifestage formulas take up less valuable shelf space than two of most leading brands' packages." Centrum and One-A-Day are shown.

Retail buyers, who usually are skeptical of new entries because of the extremely competitive and fragmented nature of the vitamin mar-

(Continued on Page 58)

Sugar Ray Jr.'s new champ

Sugar Ray Leonard learns in this tv spot that his son's favorite champ is not the boxer himself but Corn Champs corn chips, a new Nabisco product going into seven test markets. (See story, Page 63.)

L&M back with cigaret brand tests

By JOHN J. O'CONNOR

Propelled by the success of its generic cigarets, a gritty Liggett & Myers Tobacco Co. is heading into a full-blown test of two branded cigarets—L&M Superior and Dorado.

Hal Grant, Liggett & Myers vp-sales and marketing, was exuberant during a telephone interview as he spoke of the test marketing of L&M Superior in Brownsville, Tex., and Dorado in Albuquerque, N.M., beginning next month.

"We're very committed to the branded end of the business, and we're very confident going back into it," he said. "But we're not going to compete stick-for-stick with the big guys. That would be a suicide approach. We see our opportunities in the way the market is being segmented."

That segmentation approach is apparent in the new test cigarets, whose mission is to appeal to both "Anglos and Hispanics," as Mr. Grant put it. "Hispanics are very much mainstream. If a cigaret looks as though it's pointed directly at them, they won't accept it." If either brand goes, the L&M executive thinks there is plenty of business to be had in the nine states that account for 90% of the Hispanic population in the U.S.

And as Philip Morris USA is finding with its new

(Continued on Page 62)

Chicago's SportsVision being merged in

Group W sets sports net

By SUSAN SPILLMAN

HOUSTON—Group W Satellite Entertainment Communications will announce at the National Cable Television Assn. convention here this week details of a new national cable tv sports network.

The network's initial markets, Chicago, Milwaukee and Seattle, will launch this fall, followed by Baltimore/Washington and Detroit next spring.

Baseball will serve as the network's cornerstone. Group W already has signed deals with the Baltimore Orioles, Chicago White Sox, Detroit Tigers, Milwaukee Brewers and Seattle Mariners and hopes to land the rights to other professional and collegiate sports.

Hearst/ABC Video eyes Cable Health Network. Page 58.

Each market will carry the games played by its home team. These regional games, however, will share a "national programing wrap" that includes updated sports scores, sports documentaries, game highlights, features and national commercials. The "national wrap" will be beamed to the markets at different times, filling channels where no home-team games are being played.

The service, being compared to the regional/national format of "PM Magazine," will air 16 hours per day and require the use of Group W's four satellite transponders on Hughes' Galaxy satellite. It will be fed from the company's Stamford, Conn., headquarters, also home of Group W's Satellite News Channel operation.

Revenue will be sought from a combination of subscriber fees and

(Continued on Page 58)

last minute news

Texize brands loose after Liller Neal fired

GREENVILLE, S.C.—Texize division of Morton Thiokol has severed its relationship with Liller Neal, Atlanta, which had handled Yes liquid detergent, Grease Relief, Wood•Plus and new products. Spending estimated at between $8 million and $10 million. Texize vp-marketing Doug West said the search will involve agencies over a broad area.

Blue Cross & Blue Shield selects Marsteller

CHICAGO—Blue Cross & Blue Shield Assns. has tapped Marsteller Inc. here as its new agency following a review that included Geers Gross and Levine, Huntley, Schmidt & Beaver, both New York. Former agency is N W Ayer here. Spending in 1982 was $3 million, but a Marsteller spokesperson said a "greatly expanded" budget is expected for 1983.

U.S. sues to block Showtime, Movie Channel plan

WASHINGTON—The Justice Department said Friday it will file an antitrust suit to halt the Showtime and Movie Channel pay tv joint venture

(Continued on Page 8)

Nabisco's Parkson folding into Ohlmeyer

House shop handles over $60 million

By GAY JERVEY

NEW YORK—Nabisco Brands will quietly disband its in-house Parkson Advertising agency in the coming months and fold its operations under the umbrella of Don Ohlmeyer Communications, the year-old joint venture between Nabisco and sports and special-programing producer Don Ohlmeyer.

Nabisco executives could not be reached for comment, but Parkson president-chief executive officer Philip Agisim said he could "neither confirm nor deny the report, because there are just too many sensitive things involved."

However, ADVERTISING AGE has learned that the impending reorganization involves at least one key personnel appointment, Phil Howort, who later this summer will join Ohlmeyer Communications as exec vp.

His first task, sources say, will be to oversee the Parkson dismantling and absorption into the Ohlmeyer stable. At press time, Mr. Ohlmeyer could not be reached for comment on Parkson's future, but earlier in the week he confirmed Mr. Howort's appointment, citing particularly his versatility and agency and package goods background.

Most recently, Mr. Howort has been based in Los Angeles as senior vp, Comworld International, a syndication company. Prior to that, he was an agent with the Creative Artists Agency. Earlier, he worked at McCann-Erickson, currently Nabisco's agency for cereals and Dromedary products.

Nabisco became a 50% partner in Ohlmeyer Communications last spring. Mr. Ohlmeyer terms the arrangement as synergistic in that although his company remains independent in much of its programing forays, Nabisco has ready access to Ohlmeyer's programing and software expertise.

"We will ultimately do programing and packaging for them," he said. "Our mandate is to keep Nabisco on the cutting edge of the new technologies, which have tremendous ramifications for a major consumer company such as Nabisco. . .So, in a very controlled way, it is getting its feet wet with software, examining opportunities in cable, programing and so forth.

"Basically the food industry is a maturing business, growing at a fairly predictable rate," he continued. Thus, he explained, Nabisco wants to keep its eyes open for alluring avenues of profit and opportunity; to remain poised for growth.

Despite repeated Nabisco denials, Parkson's future has long been rumored to be a tentative one. Nabisco acquired the agency in 1971 with the purchase of J.B. Williams Co. Until Nabisco sold J.B. Williams to the London-based Beecham Group last year, Parkson handled creative for Williams' toiletries and pharmaceuticals divisions, which to-

(Continued on Page 64)

Penney puts new image into Halston hands

By PAT SLOAN

NEW YORK—When Norton Simon Inc. acquired the Halston business 10 years ago, the name had only a 17.4% awareness among consumers.

In a successful bid for national recognition of the designer name, NSI won Halston the right to design for the 1976 U.S. Olympic team and staged a limited tie-in with the Montgomery Ward catalog.

Last week, Halston premiered a comprehensive fashion collection in 21 cities for another mass merchandiser—one trying to upgrade its image, J.C. Penney Co. Penney is making Halston the biggest marketing effort in its history, larger even than its late-1970s push of the J.C. Penney battery against Sears' Die-Hard, which indicates just how far it has come in according top priority to fashion.

The Halston name now stands as the leading designer moniker in recognition and believability, according to Penney research, although other retailers rank Gloria Vanderbilt higher.

But by the end of this year, after Penney has run

(Continued on Page 64)

AA photo by Bill Stahl

Penney vice-chairman Bill Howell shares the stage with Halston (left) at the fashion show in the American Museum of Natural History.

JWT asks court to drop Luisi suit

By CHRISTY MARSHALL

NEW YORK—Attorneys for JWT Group have set out to debunk and dismiss the claim that the agency "unlawfully dismissed" Marie Luisi, former senior vp and head of JWT's syndication and spot-buying unit, and to demonstrate that Ms. Luisi's $125.3 million damage suit against the company has no legal basis.

The agency filed a 47-page motion in New York state supreme court to seek dismissal of the suit that was brought by Ms. Luisi in late March. Ms. Luisi was dismissed in 1982 after JWT announced it had uncovered "fictitious entries" and "accounting irregularities" to the tune of $30 million in the unit Ms. Luisi headed.

Ms. Luisi's attorneys, Ivan Fisher and Tom Puccio, have until the end of the month to respond to JWT's motion. No one will estimate when a judge will rule on the JWT motion, or when the case might reach trial.

In Ms. Luisi's complaint (AA, April 18), she accused the agency and five top Thompson executives of defamation of character and reputation, intentional infliction of emotional distress, of a general lack of financial controls, of participating in a coverup designed to "save their own jobs" and of causing her to suffer severe economic loss. She named as defendants Don Johnston, chairman, JWT Group; Herbert Eames, exec vp-chief financial officer, JWT Group; Burt Manning, chairman, J. Walter Thompson USA; Victor Gutierrez, senior vp-treasurer, and Robert Buchanan, exec vp, J. Walter Thompson USA.

JWT, following its internal investigation of Ms. Luisi's unit, wrote off $30 million in pretax earnings and restated its revenues for the years 1978-1981. (Last week, the company made an offering of 585,000 shares, for a net of

(Continued on Page 64)

highlights

Monday, June 13, 1983

Cointreau liqueur has chosen Della Femina, Travisano & Partners to handle a $4 million ad campaign the company is hoping will lead to doubled case sales in the U.S. over the next three years. *See Page 6.*

U.S. ad agencies, which had been aiming for a strong year internationally, are seeing ad budgets in Europe increasing faster than they anticipated. *See Page 10.*

Alan Thicke, the late-night syndicated competitor to Johnny Carson, will be the focus of a seven-week multimedia advertising and promotion campaign beginning in July. *See Page 12.*

Cable and independent tv stations are outstripping the networks in allowing lingerie commercials featuring live models. *See Page 14.*

Clorox is testing Fresh Scent, a liquid bleach without an overpowering bleach smell, in an attempt to expand the stagnant market. *See Page 14.*

Two executives, Stephen Harty of Ogilvy & Mather and Quaker Oats' David Bere, will be traveling to Washington on White House Fellowships. *See Page 30.*

PepsiCo Philippines' new marketing campaign is designed not only to gain market share but to convince locals that, despite a financial scandal in the subsidiary, Pepsi is not going to cut and run. *See Page 34.*

Mail-order companies are predicted to finish this year with a 12% to 15% sales gain over 1982. *See Page 34.*

Cable Health Network is expected to announce a new structuring of its ownership involving Hearst/ABC Video Services, owner of ARTS and Daytime cable channels. *See Page 58.*

David J. Mahoney, president of Norton Simon Inc., has presented an offer of $725 million in an attempt to take NSI private by a leveraged buyout of NSI stock. *See Page 62.*

Prime Minister Margaret Thatcher's landslide victory in last week's U.K. national elections is being attributed to the superior marketing efforts of her Conservative Party. *See Page 62.*

Christian Science Monitor has undertaken an aggressive program to rebuild circulation and increase advertising revenues. *See Page 62.*

Cover photo by Robert Mummery.

Local advertisers have hit the *Sacramento Union*, which is under investigation for reported circulation irregularities, with a $10 million class-action suit. *See Page 63.*

Nabisco is introducing Corn Champ corn chips into test markets as it attempts to strengthen its lineup in the salty-snack market segment. *See Page 63.*

American Bell is expected to have an agency shakeup following the recent reorganization of the company. *See Page 64.*

Norman Brinker, exec vp of Pillsbury Co. and president of the restaurant group, has resigned to become chairman-chief executive officer of Chili's Inc. Mexican restaurant chain. *See Page 64.*

CORPORATE CLOSEUP

The old RJR Foods brands find a home with the products marketed by the former Heublein specialty grocery products group. *See Page 4.*

VIDEOTECH

The Television Bureau of Advertising's release of Broadcast Advertisers Reports data reveals that spot tv spending increased 10.4% to $766 million during the first quarter of this year. *See Page 38.*

MAGAZINE

Hockey star Wayne Gretzky of the Edmonton Oilers is skating his way to marketing success with poise and grace—not at all unlike his sterling performances on ice. *See Page M-4.*

Cable Tv: Not too long ago hopes were as high as the skies, but now second looks are tempering the optimism. *See Page M-9.*

Doyle Dane Bernbach helped a young El Al to establish itself among the world's flag-carrying airlines. *See Page M-45.*

REGULAR FEATURES

ADVERTISING MARKETPLACE	49	PRESSTIME	6
CON-SID-ERATIONS	18	REGIONAL NEWS	44
EDITORIAL VIEWPOINT	18	VIDEOTECH UPDATE	38
FOR THE RECORD	57	VOICE OF THE ADVERTISER	46
MEDIAMOVES	52	WASHINGTON BEAT	35
OBITUARIES	5, 42	WORLD NEWS ROUNDUP	3
PHOTO REVIEW	26		

Vol. 54, No. 25—ADVERTISING AGE (ISSN 0001-8899) is published weekly except semi-weekly the third week in March, the second week in September at 740 Rush Street, Chicago, IL 60611. Second-class postage paid at Chicago and additional mailing offices. Send address changes to ADVERTISING AGE, Circulation Department, 740 Rush Street, Chicago, IL 60611.

P&G exits Y&R over Olay soap

By JENNIFER ALTER

The July national introduction of Olay beauty soap by Richardson-Vicks apparently triggered Procter & Gamble's decision to scratch Young & Rubicam from its domestic agency list.

And its handling of the new product (AA, April 11)—an assignment that violates P&G's conflict policy—has cost it P&G business overseas as well.

P&G, which had approximately $13 million worth of domestic business at Y&R, last week reassigned Dash detergent to Benton & Bowles; Spic & Span to Wells, Rich, Greene; Ariel detergent to Tatham-Laird & Kudner, and Brigade automatic toilet-bowl cleaner to Dancer Fitzgerald Sample. (The latter two are test brands.) At the same time, it moved White Cloud toilet tissue to Leo Burnett USA from DFS.

Although Y&R remains one of P&G's top agencies outside the U.S., handling more than 20 brands in 25 countries, it also lost Zest to Burnett in the United Kingdom, France and Italy; Mon Savon to Compton in Belgium, and Escudo (Safeguard) to Grey in Mexico. The company is "review-

(Continued on Page 58)

International ad budgets top expectations

By VALERIE MACKIE

U.S. advertising agencies, which had been aiming for a strong year internationally, are finding that ad budgets in Europe are increasing even faster than they anticipated, and this is giving over-all international results an unexpected bit of bounce.

Agency executives were predicting a slow first half internationally, with a solid second-half recovery and a strong year over-all (AA, Jan. 24). Instead, when agencies review their first-half results this month, they will find that advertisers marginally increased their ad budgets in Europe, which is the main source of international revenues for most agencies.

Jerry Roberts, senior vp-international at Young & Rubicam, says, "We came off a tentative 1982 and went into the beginning of 1983 with expectations that it would be flat during the first quarter and progress from there. In fact, what we are seeing is a substantially stronger first quarter than we were prepared for."

The key "engine" behind this strong European showing for many agencies appears to be France, where ad spending jumped about 3% in real terms during the first quarter compared with year-earlier figures for the same period. Industry projections for 1983 were running at about 1% in January.

Doyle Dane Bernbach reports real growth in France during the first quarter of about 30%. Michel Richardot, chairman of the Ogilvy & Mather group in France, says, "U.S. multinational companies are maintaining confidence in the French market and continuing to invest—helped now by recent government measures to deal with France's balance of payments problem."

In other European countries, ad expenditures during the first half of the year are increasing in line with the forecasts. In the U.K., the 5% projection for 1983 is holding up, despite some feeling by D'Arcy-MacManus & Masius that the forecast was too optimistic. "The optimists have so far proved correct," concedes Andrew Roberts, executive director of media research for D'Arcy in London.

Ad spending growth in Germany remains fairly flat, as predicted, but some agencies note a slight increase in billings due to new-product introductions. Willi Schalk, exec vp of BBDO International, says, "The clients' mood is better, and major new-product development with ad outlays to match are in sight. Many clients are assuming the U.S. and European markets will recover in the second half of this year."

Not all ad agencies are affected equally by the good news. Usually an agency's largest share of international billings comes from Europe, but in some cases it does not. For example, BBDO International might not share as much as other multinational agencies in the general first-half upturn because it is stronger in Australia and South Africa, markets that have not recovered as rapidly as Europe.

Interpublic Group of Cos., coming off a tough first quarter, is still looking for its biggest recovery in the second half. Philip Geier Jr., chief executive officer of Interpublic, says, "We are seeing a resurgence in the U.S., and it takes six months for the rest of the world to catch up."

For example, McCann-Erickson, which comes off its best year in Latin America with 50% real growth in 1982, continued to increase its billings more than 25% in the first quarter of 1983. "It will be difficult to reach that [growth] in the next quarter because inflation is up every month," says Jens Olesen, McCann's regional director for South America.

J. Walter Thompson Co., which had been looking for 15% to 16% real growth this year outside the U.S., now is aiming for 15% to 20% growth. "All our core offices, Canada, U.K., Germany, Italy, are doing very well," Don Deaton, JWT senior vp-financial communications, says. "Mexico, Venezuela and Argentina are down, but by no means can be considered a disaster."

Offsetting some of the strong results in Europe for many agencies is a slower-than-expected pace in Latin America.

But the disaster spotlight has shifted from Mexico, where estimated ad spending has dropped 10% more than the projected 30% dip for 1983, to Venezuela, where spending figures drastically were revised from an earlier estimated 8% to 10% increase to an anticipated 40% plunge.

One agency executive said comparing Venezuela and Mexico was like comparing a black hole and a swamp.

Venezuela has been victimized by the slowdown in the oil market, as well as by the sudden imposition of price and exchange rate controls, severe cutbacks on imports and an inflation rate that has soared from 8% to a current rate of nearly 30%.

Jose Sarmiento, ad manager for top-ranked tv channel Venevision, says ad revenues fell 25% in April alone, and that ads for high-priced items like stereos, tvs, automobiles and computers are becoming rare.

Some of Venezuela's ad agencies laid off 40% of their employes in February, according to sources. The government is looking at moves to ease the crisis, and "everything will depend on the next 60 days," says Bill Peninche, president of JWT de Venezuela, the leading U.S. agency here.

Mexican advertisers face the identical problem as in Venezuela: Price controls and soaring inflation. Nestle cut its media ad spending from $830,000 in the first four months of 1982 to $620,000 for the same period this year. Sources say ad agencies rapidly are moving to fees instead of commissions, and that smaller ad "boutiques" offering discounted services are on the rise.

Brazil also appears to have lost ground, with ad spending expected to remain flat in 1983 instead of the anticipated 5% increase. Clients had hoped for inflation to run around 85%, but now are planning for 130% to 150%, sources there say.

In Australia, where businesses just faced their worst quarter in 14 years, ad spending is coming in slightly lower than the predicted 5% growth for 1983. South Africa looks uncertain as well. While most forecasts for 1983 still hover around a 4.5% to 5% increase, so far ad spending in the first half of 1983 has been subdued because the severe drought has slowed economic recovery. No advertisers have announced major cutbacks, however.

But the biggest question mark may well be Canada, which, traditionally, has always lagged four to six months behind economic movements in the U.S. Now the gap may have widened, leaving some doubt about whether the previously projected 1% real growth in ad expenditures will happen.

The takeoff in spending is coming in Canada, "but it's not going to be a big, fast train," says Ron Kovas, president of J. Walter Thompson Canada.#

Contributing to this story: Letitia Baldwin, Mexico City; Doreen Hemlock, Caracas; Phil Hill, Paris; Dex Kilalea, Johannesburg; Sean Milmo, London; Dagmar Mussey, Duesseldorf; Robin Powell, Sydney; Laurel Wentz, Sao Paulo, and Tony Thompson, Toronto.

Revised worldwide ad spending forecasts*

Country	Forecasts as of 12/82	as of 6/83
France	+1%	+4%
Germany	+0%	+0 - 1%
Brazil	+5%	−5%
Mexico	−30%	−40%
Venezuela	+10%	−40%
Australia	+5%	+4%

*All percentages represent change between 1982 and 1983.

Source: Advertising Age survey

WHO SEZ
OUR PROMOTION IDEAS WORK?
Eastern Airlines, Hearst, Ronzoni, Volkswagon and more found out. New ideas to final copy for sweepstakes, direct mail, sales aids can work for your consumer or trade marketing goals. Try 25 years of promotion skills. No obligation.
Contact: RONALD SMILEY ASSOCIATES Inc
215 Park Avenue South New York NY 10003
212 673-9275

FREE! 1983 Graphic Calculator Catalog
Call for yours now. No obligation!
GRAPHIC CALCULATOR COMPANY
Designing and manufacturing special slide rules, printed calculators and feature demonstrators for 40 years!
P. O. Box C, 230 James Street
Barrington, Illinois 60010
Call Cape Gulbransen or Barbara Kokoron at 312/381-4480

We've got depositors in the bank.
And football fans by the score. No matter what your product or service, we've got your market ready to talk about it. We're HTI—Home Testing Institute—and we do market research. With a difference. We can quickly isolate the folks you need from our panel of 150,000 member households. We can reach them by mail, telephone—however best suits you.
HTI has all sorts of ways to connect you with the people you need to address. Our methods are fast, exact and reasonably priced. Insta-Vue, for example, offers you large-scale, cooperative monthly mailings—perfect for mini-studies, low-incidence screening, developing profiles or for tracking over time. Mail Panel Research offers flexibility in research design among the specific respondents required. We can also interview panelists—or the general population—via the sophisticated HTI Telephone Research Center. And we even gave birth to a first: The Baby Panel (mothers, expectant mothers and children).
It all adds up to one thing: if you want to have a talk with your market, have a talk with HTI. We've got everything from depositors in the bank....to cruise lovers on board!
We've got your market ready for you.
HTI
HOME TESTING INSTITUTE
One of THE NPD GROUP of Marketing & Research Companies
New York: 900 West Shore Road, Port Washington, NY 11050 (516) 625-0700
Chicago: 9801 W. Higgins Road, Rosemont, IL 60018 (312) 692-6700

The medium is potent, if the message is clear

By Joanne Cleaver

Intuition may finally have found its niche.

Though numbers and statistics will always be important in making media buys and developing creative strategies, they don't go far toward rounding out the feel and direction of a particular advertising campaign. But with cable, that "gut feeling" that surreptitiously shapes most campaigns anyway may come into its own.

Curiously, it's cable's potential for targeting audiences specifically that may turn the usual media strategy process inside out. Though the final tally won't be in for several years, even the research to date confirms the cable industry's claims that its audience is young, upscale, affluent—the "trendsetters," as one advertising executive says.

Cable viewers are emerging as demanding, sophisticated consumers: If an ad jars them or seems out of tune with the programing on the network, they're even more likely than a broadcast viewer to flip the switch or "zap out" the commercial.

"People do tend to home in on the channel most interesting to them," points out Robert Alter, president of the Cabletelevision Advertising Bureau. "Advertisers are looking to cable for longer commercials, those that do fit the environment, whether for rock or a women's environment. There's a trend away from the 30-second, slice-of-life, get-in-and-get-out approach."

If slice-of-life is stale, what is the fresh new recipe for cable? Improvisation and imagination, say executives who've been flirting with the medium.

"Cable has to have a different tone. The audience is much more selective. You have to give them something to keep you tuned. You have to go back to the basics of selling."

"If we can assume the audience is interested, and if the client is power tools on a 'fix-it' show, then we can assume that people watching the show use and are into power tools. Does that mean I can afford to be wild, or cut it and go with straight talk?" asks Allen Rosenshine, chairman and chief executive officer of BBDO, New York.

Adds Lois Ernst, president of Advertising to Women, New York: "Cable has to have a different tone. The audience is much more selective. You have to give them something to keep you tuned. There's no way you can be insulting, asinine, bombastic; there's no toleration of that. You have to go back to the basics of selling—that is, make yourself welcome and then offer them something."

Traditional mass approaches to advertising are "writing for the world, which is writing for no one. It [cable] has to be personal, like you're phoning someone," explains Ms. Ernst, an outspoken proponent of cable's creative potential.

In other words, it would be fair to assume that cable viewers are expecting a little more, say agency executives. After all, they're paying even for the basic service. Cable network executives are determined not to repeat the mistakes of their broadcast brethren; they're quite aware that their subscribers are more affluent, and they say they're striving to attract and hold them through quality programing.

Advertisers who began exploring cable's potential before last winter's revelations about declining network audiences have a head start on understanding the flexibility and drawbacks of the medium. They point to programing as both its curse and its saving grace.

Notes Robert High, vp-management supervisor with Marsteller Inc., New York, "People are interested in programing, not networks." In working on the consumer marketing strategy for the USA Cable Network, Mr. High has come to the conclusion that networks with a very specific programing niche—USA's four daypart segments, for instance—will successfully attract advertiser support.

But because there still isn't enough advertising for the cable networks to be self-supporting, they're having problems financing quality programing, even though they say it's a top priority. Still, advertisers who are seeking a specific niche usually don't have to look too hard to find it.

Kraft Inc. was one of the first advertisers to approach tv 40 years ago by sponsoring a specific personality's show. It fits right into the corporate tradition to sponsor cable shows.

"We've tried everything," says James Blocki, vp and director-advertising and marketing services. "We've done a variety of offers. We've been a participating sponsor, we've run both kinds of commercials [standard and infomercials]. But we haven't come to any conclusions" about the creative advantages or even the ultimate effectiveness of cable.

Kraft has expanded its traditional service orientation on its cable spots. The company has often run 30-second broadcast commercials that refer the viewer to a corresponding ad in *TV Guide* to take advantage of a specific recipe or offer. When Kraft expanded that basic con-

(Continued on Page M-32)

Joanne Cleaver, a business writer based in Evanston, Ill., has previously reported on the new technologies for Magazine.

What they earn
Leading cable network revenues

Network	Launch date	1982 gross ad revenues (millions)	Projected 1983 gross ad revenues (millions)
WTBS	12/76	90.0	125.00
ESPN	9/79	28.0	42.00
CNN	6/80	24.0	38.00
USA	9/77	20.0	35.00
WGN	11/78	12.0	15.00
WOR	4/79	5.0	5.00
MTV	8/81	5.0	10.00
Daytime	3/82	4.1	6.00
ARTS	4/81	4.0	6.00

Notes:
WTBS cable revenue estimates based on total estimated 1982 WTBS revenues of $110 million and estimated 1983 revenues of $145 million.
WGN cable revenue estimates based on total estimated 1982 WGN-TV revenues of $65 million.
WOR lost subscribers due to its switch to Westar V in 1982. Cable revenue estimates based on total estimated 1982 WOR-TV revenues of $50 million.
ARTS/Daytime revenue projections based on launch of Daytime/Nighttime network in 1983.
Source: Paul Kagan Associates, 1982.

Wired for a 'word from our sponsors'
A lineup of ad-supported cable services

Network (reporting date of figures)	Affiliates	Subscribers* (thousands)
ARTS (12/1/82)	1,725	8,000
BET (Black Entertainment Television) (3/1/83)	144	3,053
Cable Health Network (3/1/82)	847	8,069
CBN Cable Network (3/1/82)	3,800	19,762
CNN (Cable News Network) (3/1/83)	3,196	18,326
CNN Headline News (3/1/83)	400	2,754
Daytime (3/1/83)	641	8,507
ESPN (Entertainment & Sports Programming Network) (3/1/83)	5,397	25,000
FNN (Financial News Network) (11/12/82)	615	6,505
MSN (Modern Satellite Network) (3/1/83)	455	7,200
MTV (Music Television) (3/1/83)	1,384	10,829
NCN (National Christian Network) (3/1/83)	84	1,325
Nashville Network (3/1/83)	700	7,000
National Jewish Television (9/30/82)	103	2,186
Satellite News Channel I (3/1/83)	551	5,400
SIN Television Network* (12/14/82)	199	25,531
SPN (Satellite Program Network) (3/1/83)	370	5,324
Telefrance—USA (12/15/82)	550	7,500
USA Cable Network (3/1/83)	3,162	16,300
The Weather Channel (3/1/83)	714	7,100
WGN-TV (3/1/83)	4,033	10,163
WOR-TV (3/1/83)	750	4,564
WTBS (3/1/83)	559	24,990

*Subscriber count includes homes reached by broadcast station affiliates.
Source: Cabletelevision Advertising Bureau.

Advertising Age
Subscription Service . . .

. . . to enter a subscription. Check YES below to get weekly newsbriefings on the entire advertising/marketing scene!
. . . to change your address. Please check the box and print your new address below; attach the mailing label from your most recent issue. Four weeks' notice required for change of address.
. . . to ask a question about your subscription. So that we can promptly respond, please attach the mailing label from your most recent issue and mail this form with your inquiry.

☐ YES. send Advertising Age. 1 year (52 issues) $50. Europe & Middle East, add $76 per year . . . air delivery. All other foreign, add $31 per year . . . surface postage.
☐ New ☐ Renewal ☐ Payment enclosed ☐ Bill me.
☐ Bill company.
☐ This is a CHANGE OF ADDRESS.

Name _____
Title _____
Company _____
Nature of Business _____
☐ Home or
☐ Business Address _____
City, State, Zip _____

☐ I would prefer not to receive advertising or information by mail from companies not affiliated with Crain Communications.

MAIL TO: Subscription Manager
Advertising Age
740 Rush Street
Chicago, Illinois 60611

ATTACH LABEL HERE
for subscription inquiries or change of address.

Potent

(Continued from Page M-28)

cept on a 90-second cable spot and ran the offer on the screen, it was overwhelmed with 12,000 responses. But the same offer made in the middle of a 30-minute Kraft-sponsored cooking show was a dud.

Though Kraft hasn't solidified a specific cable strategy, Mr. Blocki says the medium is looking attractive because the company has excluded itself from many violent, sexually explicit broadcast tv programs.

Viewers' matter-of-fact acceptance of Kraft's infomercials is the kind of response that most advertisers could nurture through dovetailing commercials with cable programing, say industry insiders.

The more closely integrated a network's ads and programs are, the more automatic acceptance and credibility both segments will have with viewers. And when both demographic and psychographic information is available about an audience, advertisers can tune in to a particular audience from different angles.

BBDO's Arnold Semsky, director-media and programing services, points to a "Motor Week Illustrated" video magazine that was sponsored by Dodge. Firestone also produced a special commercial for the show. "That was a life style thing," notes Mr. Semsky. Demographics indicated that young men who like to work on cars also like to drink beer; consequently Old Milwaukee also ran ads.

"People have different expectations [from cable advertising]," says Ron Kaatz, senior vp and director-media resources and research at J. Walter Thompson USA, Chicago. "The main objective of the 30-second, $70,000 commercial is to attract attention and deliver one sales pitch. Cable saves money and delivers the message without the glitz. The one-to-10-minute ads on Cableshop cost $1,000 to $1,500 in production each minute. They provide helpful information."

Such a service approach is appropriate for many women's programs. But on MTV:Music Television, which is basically popular music video aired and geared toward 'eens and young adults, a three-second commercial might be most appropriate, suggests another agency executive. It all depends on the style of the particular station.

While advertisers struggle to pinpoint demographics and psychographics of cable viewers, these factors are changing—sometimes because of the very presence of cable in the home.

The first cable subscribers were usually in rural areas and the initial service was intended as a collective antenna for regions with poor reception. Today's new subscribers are a "whole different breed of viewer," says Hazel Kahan, vp-research at Warner Amex Cable in New York.

"Video recorders, Walkmans, phone answering machines, personal computers, they all allow the individual to transcend space and time," she says. "You can see something wherever and

Action at the gate for the highwire act

Estimates of advertising revenue growth

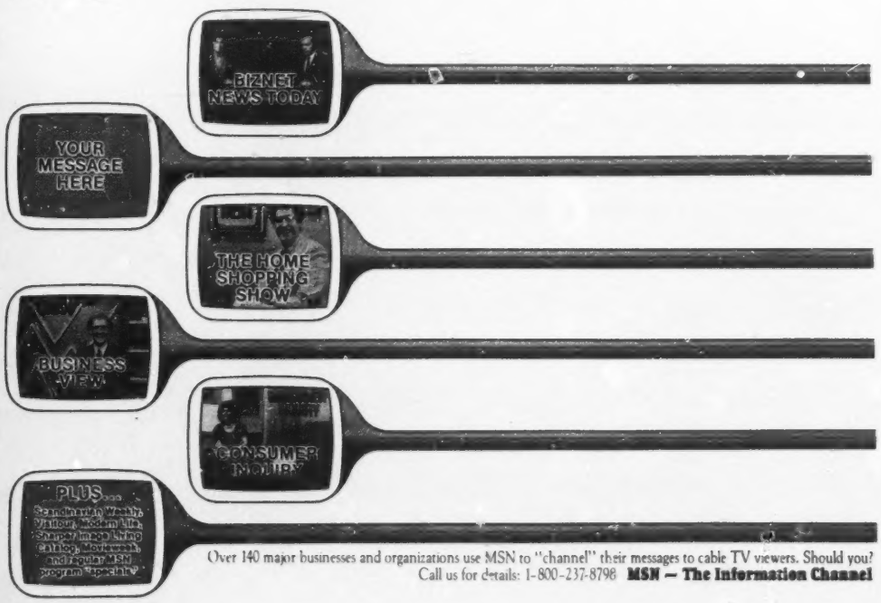
Year	Total cable ad revenue (millions)	Per cent change
1980	$ 58.0	—
1981	121.6	+110%
1982	241.8	+ 99
1983	382.9	+ 58
1984	576.0	+ 50
1985	830.7	+ 44
1986	1102.4	+ 33

Source: Paul Kagan Associates

MSN

America's Information Channel.

We reach over 8,000,000 cable TV households with a full spectrum of informational programs — and a full range of advertising and communications opportunities for you. Conventional :30 and :60 commercial spots. "Infomercial" segments on our nationally-acclaimed "The Home Shopping Show." Interview opportunities. Long-form advertising. Program sponsorships. And program environments that are most conducive to your message.



Over 140 major businesses and organizations use MSN to "channel" their messages to cable TV viewers. Should you? Call us for details: 1-800-237-8798 **MSN — The Information Channel**

Research clarifies programing reception

By Joanne Cleaver

The timing couldn't have been better. Just when the broadcast networks were embarrassed by the drop in market share revealed through routine research, the cable networks proudly unveiled the results of their first market studies.

The contrast underscores the growing distance between tv's two universes—cable and broadcast. It also gives many agencies just the incentive—or excuse—they need to edge into cable.

The Cable Audience Methodology Study (CAMS), sponsored by the Cabletelevision Advertising Bureau, was perhaps the most eagerly awaited study. But many people who expected hard numbers and statistics were disappointed with it.

"The ad community was confused and disappointed that it [CAMS] isn't the Holy Grail," says Hazal Kahan, vp-research at Warner Amex Cable in New York. "There isn't one answer. I don't think people understood what it was designed to do, which was to take six different methodologies and compare them to the truth. Media researchers understood that. I don't know what the rest of the world thought."

Robert Alter, president of the Cabletelevision Advertising Bureau, points out that CAMS mainly confirms cable researchers' suspicions that traditional methods of measuring audiences tend to seriously underreport cable viewers. While telephone coincidentals proved again to be the most accurate method, diaries and aided recall also showed some promise, explains Mr. Alter.

But as technology outstrips research methods, even traditional methods yield confusing results. For example, the percentage of U.S. adults with cable in their household ranges from 30% to 41%, depending on the source. While the rate of growth is slowing somewhat, new subscribers are not in metropolitan areas, and choosing cable for its programing variety, not merely to enhance reception, say researchers.

Meanwhile, several cable networks are gaining large enough audiences to be included in both A.C. Nielson Co. and Arbitron Ratings Co.'s regular ongoing surveys.

"We want research, but quantitative research isn't difficult. The real opportunities lie in psychographic and qualitative research, attitudes, attention levels, recall, how people watch tv, not how many."

Many agencies say that even the amount of research that's already come out is enough to start with. The juxtaposition of cable and network research results last February was enough to justify cable buys simply on the grounds of making up for broadcast's reduced reach.

Observes Jeff LaWenda, vp-advertising sales and development at the USA Network: "Many advertisers know that there's a light at the end of the tunnel. We want research, but quantitative research isn't difficult. The real opportunities lie in psychographic and qualitative

whenever you want. You can electronically do it yourself."

Ms. Kahan has labeled this hard-to-hit target the "New Electronic Media Individual," or NEMI, as she terms it. Instead of bending their schedules to catch a particular show, NEMIs manipulate their arsenal of electronic receivers to fit their own schedules.

"They're no longer controlled by the medium," she says. "They have more power and they're more self-respecting. It's a higher level of person, and advertisers had better learn to speak to this person. They can reject you. You can't afford to not understand how these people behave."

Walter Reichel, executive vp and director-media programs at Ted Bates Advertising/New York, says "a new audience is being created. They're above average consumers for almost any product.

"It isn't just that they're tuning in to pay [tv] and watching less network, but they probably also have vcrs, are willing to experiment with interactive [tv] and have computer capability."

If cable technology is the catalyst for the emergence of a new breed of viewers, it's also the magnet for a new breed of advertisers.

While agency executives say it's unlikely that liquor, cigarets or other controversial products not currently on the airwaves will find a niche in cable, they do say that many clients with specialized markets are shifting their attention—and money—to cable.

"Products that couldn't [previously] afford it will be getting national exposure—products that are using magazines, not television—today," Mr. Kaatz predicts. "Something medically oriented might use the Cable Health Network. A company that makes barometers would use the weather channels."

The one great untapped market, which will remain untapped for several years to come, is local advertising.

Cable networks have so far focused their energies on getting subscribers and major advertisers; very few have gone after the likes of local grocery chains and hardware stores. Says Mr. Kaatz, "The dam has yet to burst on local ads. When it comes, the growth will be much greater than anyone expected. A lot of local advertisers would love to use television, but it's terribly expensive. [Cable] gives them the opportunity to give an extended message."

J. Walter Thompson recently experimented with a week-long cable workshop for local car dealers. Using the Lansing, Mich., cable system, the dealers learned how to develop a local cable advertising plan and produce high quality, low budget cable commercials and programs.

This project could be a prototype for other local advertiser cooperation with cable operators, notes Mr. Kaatz.

With such experimenting going on, why are many clients and agencies just plunking their standard 30-second broadcast commercials into the specialized cable environment? Though this "strategy" might work for a while, it doesn't take advantage of the possibilities that cable offers.

The root of the problem isn't in a lack of creative desire or will, but in a lack of time and money. When the broadcast networks simultaneously raised their rates and then revealed that their market was shrinking, especially among young affluent adults, clients and agencies stampeded the cable networks to make up for the underreach.

"There are basically two strategies in cable today," observes Ted Bates' Mr. Reichel. "There's a defensive side, which will still be the most important until the cable network audiences build. The opportunistic side looks at the special audiences of cable, and for certain clients that's a very good fit." AA

research, attitudes, attention levels, recall, how people watch tv, not how many. That's the missing link."

One company that's trying to forge that link is Television Audience Assessments (TAA), Cambridge, Mass.

TAA's president, Elizabeth Roberts, says that the first results of her company's attempts to measure audience response in terms of "impact" and "appeal" of programs indicate that cable is shaking up the way people watch tv.

The study used a specially designed diary form that participants mailed in within 48 hours of each day that was reported. Ms. Roberts says the method has an error rate of 3%. Telephone coincidentals were used to confirm viewing patterns and behavior.

She says the mere presence of cable in a locale influences viewer's habits.

"The more channels, the less loyalty," she says. "Cable has eroded viewer loyalty in general. All programs will have to work harder to get them back. This data will tell operators which programs will bring them back."

Advertisers have a vested interest in finding out how involved viewers are with programing, especially as related to narrowly targeted cable stations, she says. TAA data indicate that the more attuned viewers are to the programing, the more receptive they'll be to the advertising.

Despite the continuing efforts of researchers to pinpoint cable's reception, at least one advertising executive says he has had enough already.

"There's too much research on cable to digest," complains Arnold Semsky, executive vp-director of media and program services with BBDO, New York. "Research is important, but judgment and experience are more important. You shouldn't use it as a crutch. You should have some courage to go ahead even if the numbers aren't always there and aren't always meaningful." AA

THOUGHT ABOUT

A CUSTOMIZED CABLE GUIDE?

CABLEVIEWS

MAGAZINE

WE HAVE BEEN SYSTEM SPECIFIC

FOR 7 YEARS

CALL OR WRITE TODAY

(216) 464-4729 • 23800 COMMERCE PARK • BEACHWOOD, OHIO 44122

'Made-for-pay' signals new cable directions

By Udayan Gupta

Not too long ago, an independent film maker, desperately attempting to sell some films to cable, complained about how safe and conservative pay cable really was. There was very little original programing, she pointed out, and all the cable networks ended up showing the same material—movies from the

Bernadette Peters gets a wake-up kiss on Showtime's "Sleeping Beauty."

Variety money charts, movies with proven box office clout.

Recently, however, pay cable has been desperately attempting to correct this image of itself as a clone of commercial tv. Both Home Box Office (HBO) and Showtime are serving up a variety of programing produced for pay—programing that is refreshingly different from that seen on the three networks. Just a few weeks ago, even Cinemax—the poor cousin of HBO—got into the act when it picked up the comedy series "SCTV," which had been dropped by NBC because of its $400,000 per show price tag.

The programing direction taken by the pay networks is no fleeting phenomenon. Both HBO and Showtime executives argue that their original programs have struck a positive chord in their audiences, and they plan to stick with the strategy. "We have demonstrated with the shows in the past that our audience is more than satisfied," argues Bridget Potter, vp-original programing at HBO, adding that the pay network plans to do even more of what it has been doing so successfully.

Ms. Potter contends that original programing for HBO is nothing new. It has been programing concerts and boxing specials for years. True, but the made-for-pay films and dramatic series that HBO now offers clearly indicate a new direction. Even last year, series such as "Philip Marlowe*—Private Eye" and "Not Necessarily the News" may have had a rough time selling HBO's programers. Even Showtime seems determined to move away from its image as a presenter of Broadway show tapes. The continuing programing isn't a case of instant esthetics. HBO's Ms. Potter is emphatic in saying that HBO isn't a cultural network and has no interest in presenting Samuel Beckett's plays or Beethoven's "Ninth Symphony." The attraction for programing for pay seems motivated by economic, as well as marketing, reasons.

"Faerie Tales Theatre" and the revival of the erstwhile network tv show "Paper Chase" provides proof of this determination.

Pay tv's rush to original pro-

Tv stars Gregory Harrison, Cheryl Ladd and Perry King are the leads in "The Hasty Heart" on Showtime.

"One reason for this sudden interest in made-for-pay is because the pay networks want to be assured of a continuous supply of programing," explains John Reidy, a media analyst with New York's Drexel Burnham & Lambert. Indeed, as the flow of product from Hollywood has slowed down, HBO and Showtime have been busy scrambling for alternatives—programs that will have the same appeal to audiences weaned on a Hollywood diet.

The escalating costs of Hollywood blockbusters are also proving a problem for buyers at the pay networks. Compounding the problem is competition. In many instances HBO and Showtime are bidding against the likes of ABC, CBS and NBC, who are more than willing to reduce the time between a film's theatrical release and its tv premiere and also bid up the ante.

"Both HBO and Showtime have reached a size where they can afford to produce for pay," argues Mr. Reidy. Indeed, the revenue base of HBO (11.5 million subscribers) and Showtime (4 million) can support some rather elaborate and lavish productions. Even after spending at a fast clip, the cost of a made-for-pay program per subscriber comes to less than what many of the major distributors are demanding. Not surprisingly, HBO is determined to spend as much as $60 million over the next two years for new programing.

While HBO is demonstrating its strength as a major pay cable

Udayan Gupta, a New York-based business writer, is a frequent contributor to Magazine and a columnist for Electronic Media, *a Crain Communications Inc. publication.*

The ebb and flow of funds

By Udayan Gupta

For nearly half a decade—from 1975 to 1980—cable television rode the crest of a seemingly unending wave. The coming of satellite-fed programing, the introduction of pay and then multiple-pay, combined with a surge of profits, created a heady and euphoric environment. The excitement was further fueled by the enthusiasm of the financial markets, pouring in the capital to help the industry grow.

The frenzy has abated somewhat. The inflation of the early 1980s, high interest rates and the exorbitant demands of franchising and new construction seem to have tempered much of the early enthusiasm. Indeed, there are those who believe that the industry is entering a period of growing crisis. A *Fortune* article argues that competition from the new technologies with alphabet identities—dbs, smatv, lptv, mds—and the high cost of building new urban franchises are sure to dampen the industry's profitability. Not even the increasing presence—50% of all tv households by 1985—is expected to stem cable's declining profitability.

For all the doom-and-gloom predictions, however, the financial community has not lost faith in cable tv. True, it has begun to acknowledge the problems that the industry faces and is somewhat more cautious, but on the whole it continues to feed the industry's voracious appetite. In 1982 alone, the total loans outstanding to the cable industry exceeded $5.5 billion, according to estimates published by Paul Kagan Associates, a Carmel, Cal., cable research company. The report notes that the 1982 figures are 37.5% higher than the previous year's $4 billion outstanding and will increase even further—to $7 billion at the end of 1983.

While debt capital has been plentiful, the equity markets have been less so. Cable companies that had once reached out to investors—especially during the boom of 1975 to 1980—and found them responsive are experiencing more scrutiny and hesitancy. "Investors are worried about the amount of debt that many cable companies have saddled themselves with," notes one industry analyst. "They're much more receptive to the few companies that have a demonstrated record of earnings and earnings growth."

In fact, the Federal Communications Commission's recently released figures for cable in 1981 show that net income before taxes dropped to $40 million, a 79% decrease from the $168 million in net income in 1980. "It wasn't a good market for cable to issue equity," notes Blyth Eastman's Dan Baldini, who points out that the industry never stopped looking for equity capital.

But this does not mean that equity financing has dried out. A number of companies are successfully using limited partnerships as a means of raising equity—not only the pioneers such as Cablevision Systems and Jones Intercable, but others as well. Among some of the smaller companies that have also raised capital through limited partnerships are Tennessee's Matrix Enterprises ($2.8 million) and American Cable TV Investors (a $25 million public offering).

The banks did continue to be the largest players in cable's financing back yard last year. In fact, their participation was underscored even further by the low visibility of the insurance companies—cable tv's other major lender. According to estimates by Paul Kagan Associates, banks provided 79% of the private cable dollars last year, compared with 70% in 1981.

"The future of cable is very much a part of us," says Lewis C. Kleinhans, a vp with Chemical Bank's communications financing group, pointing out that the bank has increased the amount of loans outstanding to cable to $100 million, an increase of $70 million over the last two years. Mr. Kleinhans is determined that the bank will seek to increase its share of the cable financing pie. "As an institution we didn't have a sizable share of the pie," he explains. "With some judicious investing, however, we can increase our share."

The larger bank lenders are not falling back either. Chicago's Continental Illinois Bank and Trust last year continued to lead as the largest lender to cable. "We had more opportunity to get involved in cable financing," points out Kurt Anstaett, a banking officer with Continental Illinois' cable lending group. "Many of the operators came to the bank because of the lesser availability of longer-term financing."

Indeed, that was probably why insurance companies pulled back from loans to the industry last year. "We were short of money," points out C. Stevens Marshall, vp at the Mutual Life Insurance Co. of New York. "Most life insurance companies had a variety of pressures on their policy loans."

Another factor that led operators to go to the banks—providers of short-term floating rate loans—was high interest rates. Operators were glad to borrow for the short term, gambling on a decline in interest rates.

Now that rates are down, many cable operators are busy converting their earlier floating-rate loans to lower fixed-rate loans, even though the latter are priced one to three percentage

(Continued on Page M-40)

BUY FROM ME!

Time was that you had to pay a man to walk around town extolling the virtues of your company or product. Today, thousands of people will gladly advertise your product for the price a t-shirt.

Wearable advertising is our specialty. We have helped raise the public's awareness of such companies as Holiday Inn, Pepsi Cola, The San Francisco Giants, AMF Voit, Heublein and many others. May we print for you? For our free literature call 1-800-241-1052 or 1-404-351-9850 (inside Ga.) and ask about our other wearable items.

THE T-SHIRTERY INC.

Media monopoly—as played *en France*

By Phil Hill

Wiring an urban area for cable is more often than not an exercise in political maneuvering—and the action in Paris seems to bear this out.

If the mayor of Paris, Jacques Chirac, has decided that most of the city will be equipped with cable tv by the end of the decade, it is more because of Mr. Chirac's political ambition to be the next president of France than any commercial reasons or need to advance French technology in the field. This, at least, is the opinion of one media director of a large American agency in Paris.

Mr. Chirac announced his ambitious project in March a few weeks before local elections gave him victory in all 20 Paris districts. Thus, he was confirmed as the only serious opponent to President Francois Mitterrand when presidential elections take place in 1988.

Phil Hill is an Advertising Age correspondent in Paris.

Cabling Paris and staging the Universal Exhibition in 1989 will help to give Mr. Chirac a national and European presence at the same time. And he will have his own tv channel to challenge the traditional state monopoly.

That the French government should concede even part of its control over the audiovisual media came as a surprise to many. It was in November last year that Louis Mexandeau, minister for posts and telecommunications, announced that the government would be favorable to the development of cable networks and that it would leave the initiative for the creation of such networks and their management to local authorities. At first, such a concession might seem to leave it open for a myriad of private companies to join in the act at the discretion of local political leaders. But a deeper analysis reveals a different reality. Transmissions will still be controlled by the government through the Ministry of Posts and Telecommunications (PTT), which will authorize which tv channels will be broadcast over the cable networks.

The government has decided to actively encourage the setting up of cable networks because it will still retain ultimate control over them. Satellite tv broadcasts will be flooding France with a variety of French and foreign channels beginning in 1985.

Cabling Paris and staging the Universal Exhibition in 1989 will help to give Mr. Chirac a national and European presence at the same time.

If French viewers are already receiving by then a number of additional channels through a cable network at minimum or no cost, there will be much less incentive for them to go out and buy and install an antenna that will pick up the satellite.

"We have lived with the state monopoly for 50 years," says Didier Colas, media director at Ogilvy & Mather, France. "It will take just as long to dismantle it."

Paris' cable system will use the very latest in technology—fiber optic cables and laser transmission. One tiny cable will be able to carry up to 60 channels, including telephone lines, teletext and interactive computer lines.

"France is very behind in cabling compared to the U.S. or Great Britain or Belgium," comments Pierre-Marie Guiollot, media director at Lintas Paris. "But the fact that we are behind means that we can start off with the most modern system very quickly."

Mr. Chirac has promised that half a million homes will be equipped with cable for the opening of the Universal Exhibition in 1989—more than half of all Paris homes.

The first phase would be experimental, scheduled to start next year with the connection of 10,000 homes. It would be limited to only six channels: The three state channels, Mr. Chirac's local channel and two French-speaking foreign channels, in all likelihood Tele Luxembourg and Tele Monte Carlo. The experiment is expected to cost between $10.8 million and $13.4 million, financed partly by the PTT and partly by the city of Paris. Several radio stations would also be plugged in to this first phase.

In the second phase, 130,000 homes would be connected over two years at a cost of $107.5 million, again divided between the state and the Paris authorities. The services available would be the same as in the initial phase.

Beginning in 1987, some 120,000 homes would be equipped each year for three

Cash flow

(Continued from Page M-38)

points higher than the going rate for floating rate loans. "The premium is worth paying," argues one banker. "Many operators were having sleepless nights over loans that cost them 20% last year." Many multiple system operators (msos) are replacing the high floating-rate loans by raising subordinated debt in the public markets. John Reidy, an analyst with Drexel Burnham Lambert in New York, points out that subordinated debt financing has raised nearly $800 million for the cable industry—at rates considerably lower than fixed rate loans.

"The ability to raise capital through subordinated debt is a sign of the industry's maturity," explains Sharon Armbrust, director-information services at Paul Kagan Associates. "Besides, it is always more convenient to go to the public markets. Lenders such as the insurance companies can put many restrictions on the use of the loans, often inhibiting growth."

The insurance companies, meanwhile, are not out of the financing picture by any means. Once again laden with cash and in a market where the return from alternative investments—such as government long-term bonds—has dropped dramatically, they seem eager to rejoin cable tv's lending stream.

But the search for capital today seems to have focused on the use of limited partnerships, which provide tax benefits as well as the potential of capital gains. "In the absence of other attractive tax shelters, limited partnerships in cable are proving extremely attractive," notes Drexel Burnham's Mr. Reidy, who estimates that the industry will raise nearly $250 million in limited partnerships this year.

"The opportunities for venture capital financing have decreased because of the attraction of limited partnerships," says Brian B. Applegate, vp at Burr, Egan, Deleage & Co., a Boston venture capital company with extensive commitments in the communications industry. As Mr. Applegate explains it, limited partners—usually those in the 50% tax bracket—are investing only 50 cents on the dollar and, consequently, receiving returns much higher than the venture capitalist can expect from cable. In addition, limited partners tend to set fewer restrictions on the use of that capital than venture capitalists.

The ability to raise capital through debt and equity doesn't necessarily remove the industry's worries. The smorgasbord of new communications technologies is expected to compete intensively with cable for audiences. "Competing forms of distribution pose a threat to cable operators if they get there first, not because they will win over the majority of the subscribers, but because they can skim off enough of the market to jeopardize the economic viability of the franchise of the cable operator," concludes Donaldson, Lufkin & Jenrette in its "Industry Viewpoint" of October, 1982.

But the real threat to profits comes from the escalating costs of franchising and construction. Industry observers are wondering if cable operators in new urban builds can afford to give up 5% of their gross revenues to city governments, set aside a substantial portion of their channels for the city and municipality's unreimbursed use and still turn a profit. Some analysts are wondering if the billions of dollars committed to urban cable franchises will yield any paybacks at all. "It is not evident that investments in inner city builds are economic," says Mr. Applegate of Burr, Egan, Deleage.

Regardless of the outcome of the problem, cable is undoubtedly in the midst of a gigantic construction boom—one that is expected to corral another $5 billion in investments in the coming years.

"There's a lot more dollars needed for the building of new systems," points out Michael Spiegler, vp and head of the communications lending group at Chemical Bank, adding that the new urban systems will continue to require billions in new plant.

However, a larger proportion of the demand for capital will come from rebuilding and upgrading. "There's a ton of 12-channel systems out there that have to be upgraded," says Blyth Eastman's Mr. Baldini. The reasons are twofold. Msos themselves need to add to existing sy tems in order to increase the program offerings as well as revenues. There is also pressure from the community and lenders to upgrade the system before it comes up for renewal. Lenders are worried that the operator may lose the franchise in a renewal hearing especially if the system continues to remain without major improvements. By contrast, the communities are using the renewal process to force an operator to upgrade a system—to bring it up to the level of other technologically advanced systems.

Whatever the motivation behind these projects, it is increasingly clear that cable operators have to keep abreast of technological change and provide the state-of-the-art system. If they fail to do so, they could easily lose out to the other communications technologies.

WILLIAM C. PALEY

☐ MARKETING TECHNOLOGIES
☐ CABLE TV DIRECT RESPONSE
☐ VIDEOTEXT TELETEXT
☐ ON LINE SERVICES

3233 K ST. N.W.
WASHINGTON, D.C. 20007
(202) 338-8353

COMPUTER INTERCONNECT NO. (202) 338-7053

How high will the signals go?

Projecting basic/pay cable subscriber growth

Year	Basic subscribers (thousands)	Percentage of tv households	Pay subscribers (thousands)	Percentage of tv households
1990	58,900	62	43,700	46
1985	40,467	47	25,830	30
1980	16,411	22	7,780	10
1975	8,788	NA	NA	NA
1970	4,198	NA	—	—

Sources: 1983-1990: Cablevision
1976-1982: A.C. Nielsen Co.
1955-1975: Television Factbook